

## Message Text

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53

ACTION NEA-12

INFO OCT-01 EUR-25 EA-11 ISO-00 CIAE-00 DODE-00 PM-07 H-03

INR-10 L-03 NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SP-03

SS-20 USIA-15 SCI-06 EB-11 COME-00 INT-08 FEA-02 IO-14

AID-20 CIEP-02 TRSE-00 STR-08 OMB-01 CEA-02 DRC-01

/198 W

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R 170810Z APR 74

FM USINT BAGHDAD

TO SECSTATE WASHDC 909

INFO AMEMBASSY ABU DHABI

USINT ALGIERS

AMEMBASSY BEIRUT

AMEMBASSY BONN

AMEMBASSY CAIRO

USINT DAMASCUS

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LONDON

AMEMBASSY MOSCOW

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY TEHRAN

AMEMBASSY TOKYO

C O N F I D E N T I A L BAGHDAD 0231

E.O. 11652: GDS

TAGS: EFIN, ENRG, IZ

SUBJECT: FINANCING IRAQ'S DEVELOPMENT

REF: (A) ROME 4866; (B) BAGHDAD 149

1. SOME CONFUSION CONTINUES TO EXIST OVER IRAQI INSISTENCE  
THAT FRAMEWORK ECONOMIC AND TECHNICAL COOPERATIONS AGREEMENTS  
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SUCH AS BEING NEGOTIATED WITH FRANCE, JAPAN, AUSTRIA AND ITALY

CONTIN FINANCING COMMITMENT DESPITE IRAQ'S STRONG REVENUE POSITION. (EGYPTIAN EXPERTS IN MINISTRY OF FINANCE ESTIMATE THAT IRAQ CAN ONLY SPEND ABOUT 60 PERCENT OF ESTIMATED OIL EARNINGS THIS YEAR, LEAVING SURPLUS OF ABOUT 2 BILLION DOLLARS.) ITALIANS GOT IMPRESSION THAT IRAQI INSISTENCE WAS TO TEST POLITICAL WILL OF WESTERN COUNTRIES TO DO BUSINESS WITH IRAQ. (REF A). DURING NEGOTIATION OF FRENCH ACCORD OF MARCH 12 (REF B), FRENCH DEL WAS ABLE THROUGH PRIVATE CONVERSATIONS TO LEARN IN MORE DETAIL WHAT THEY BELIEVE IS BASIS FOR IRAQI POSITION.

2. ACCORDING TO FRENCH CHARGE SAILLARD, IRAQI LEADERS REMAIN CONVINCED THAT "IMPERIALIST FORCES" ARE WORKING TO OVERTHROW BAATH REGIME BECAUSE OF ITS OIL NATIONALIZATION, FREINDSHIP WITH SOCIALIST CAMP, AND SUPPORT FOR PROGRESSIVE "LIBERATION MOVEMENTS/ IN AREA. "IMPERIALIST FORCES" LEFT VAGUE BUT BELIEVED TO REFER TO USG, THE SHAH, MAJOR OIL COMPANIES, AND PROBABLY FEISAL. IN BAATH VIEW, SUCCESS OF IRAQI POLICIES ONLY INCREASE LIKLIHOOD THAT "IMPERIALISTS AND REACTIONARIES" WILL STRIKE AT REGIME AT FIRST OPPORTUNITY. SUCH AN OPPORTUNITY COULD COME, IT IS FEARED, WHEN IRAQ FULLY COMMITTED TO MAJOR DEVELOPMENT PROJECTS FINANCED BY OIL REVENUE AND THIS VULNERABLE TO MANIPULATION OF WORLD OIL MARKET BY "IMPERIALIST FORCES" THAT WOULD CAUSE SHARPT DROP IN REVENUE AND LEAD TO COLLAPSE OF DEVELOPMENT PROGRAM AND PROBABLY REGIME.

3. WHILE SOMEWHAT FARE FETCHED AS METHOD OF OVERTHROWING BAATH REGIME, IT IS ONLY UPDATED SCENARIO OF WHAT REGIME BELIEVES IPC DID IN SPRING OF 1972; I.E. DECREASED OFF-TAKE OF KIRKUK CRUDE BY 40 PERCENT AS WAY OF PRESSURING BAATH REGIME INTO AGREEMENT OR BRINGING ABOUT ITS OVERTHROW. TO AVOID SUCH POSSIBILITY IN FUTURE, REGIME IS REQUIREING ITS ECONOMIC PARTNERS TO GUARANTEE FINANCING FOR ALL MAJOR PROJECTS. GOI MAY OR MAY NOT USE FINANCING BUT IF WORLD OIL PRICE SUDDENLY DROPS THEY WILL HAVE OPTION TO DO SO. THIS WESTERN PARTNERS RE COMMITTED BOTH TO IRAQ'S DEVELOPMENT AND BAATH REGIME. LOWRIE  
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## Message Attributes

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**TAGS:** EFIN, ENRG, IZ  
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